

# COMMUNITY UPDATE



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## SMaRT STATION<sup>®</sup> LABOR ISSUES

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**Issue #2**

**June 19, 2006**

*This is the second in a series of public reports from the City of Sunnyvale on issues of importance in our community.*

### **1) What is the SMaRT Station??**

SMaRT is an acronym for **Sunnyvale Materials Recovery and Transfer**. The SMaRT Station is a partnership among the cities of Mountain View, Palo Alto and Sunnyvale. The primary tasks performed at the SMaRT Station include

- acting as a transfer station that moves garbage collected in the three partner cities to the landfill
- separating recyclable materials from the trash stream
- processing and shipping curbside recyclables to market
- processing and shipping yard trimmings (green waste) to a compost facility

### **2) Who operates the SMaRT Station?**

While the City of Sunnyvale represents the three-city partnership in overseeing the site, actual day-to-day management is contracted to GreenTeam/Zanker. The seven-year contract under which GreenTeam/Zanker is currently operating will expire at the end of 2007.

### **3) How many people work at the SMaRT Station? For whom do they work?**

In total, more than 100 employees work at the SMaRT Station in a variety of jobs. The largest job category is "sorter" – the people who sort out recyclables from the trash stream. All these employees work for GreenTeam/Zanker and are represented (in three different bargaining groups) by Teamsters Local 350.

### **4) What is the City's issue related to wages at the SMaRT Station?**

This really is not a City issue. Wages paid to workers at the SMaRT Station are negotiated between GreenTeam/Zanker and their employees, as represented by Teamsters Local 350.

### **5) But aren't some people claiming the City is responsible for the pay?**

Some people have misunderstood the City's role. Under federal law, the City must not interfere with the labor agreements and negotiations between GreenTeam/Zanker and its employees.

**6) Doesn't the City contract require payment of prevailing wages?**

Yes, it does. Out of a concern that workers at the SMaRT Station be paid appropriately, the contract with GreenTeam/Zanker requires payment of prevailing wages as established by the California Department of Industrial Relations (DIR). SMaRT Station contracts have included this requirement since the facility opened in 1993.

**7) So what's the problem?**

The problem is that when the contract was signed, DIR had not established prevailing wages for the 14 job categories at the SMaRT Station. DIR wage determinations are based on geographical area and a survey of what workers in that area are paid for doing similar work. A wage determination was finally issued earlier this year by DIR. Two major reasons for the delay in obtaining the DIR findings were legal protests by GreenTeam/Zanker, and incorrect data reported to the DIR by Teamsters Local 350.

**8) So SMaRT Station workers are now being paid the prevailing wage?**

At least some SMaRT station workers are not being paid the prevailing wage for their jobs. The City is analyzing information recently provided by GreenTeam/Zanker to determine how widespread this problem is.

Because of GreenTeam/Zanker's past failure to demonstrate that it is paying the prevailing wages established by the DIR, the City has found them to be in breach of their contract.

**9) How much are workers paid? Do they get benefits?**

Yes, they do receive benefits from GreenTeam/Zanker. Current pay for sorters is \$8 per hour. GreenTeam/Zanker states that sorter benefits have a value of \$4.92 an hour for a total of \$12.92 per hour. The City's preliminary analysis of GreenTeam/Zanker's June 9 filing indicates that the sorter benefits actually have a value of \$1.95 per hour, for a total of \$9.95 per hour.

**10) What is the City Council going to do at their June 20 meeting?**

City Council is scheduled to review and possibly approve the Request for Proposals (RFP) for a new seven-year contract for operating the SMaRT Station. This contract would begin in January 2008 and will establish base pay requirements for workers at the SMaRT Station.

While the City is barred from interfering with negotiations between GreenTeam/Zanker and its employees, based on the DIR prevailing wage determination, the City can, as a requirement in the RFP, establish a "floor rate" of pay. The organization that successfully bids on the RFP will be required to meet all the pay requirements within the final contract.

**11) Is there a recommended course of action for the City Council?**

Yes; City staff is recommending a salary/benefit floor that would provide a 63 percent increase to sorters at the SMaRT Station. In addition, there would be a wage increase – beginning six months into the new contract, then every once a year thereafter – based on changes in the consumer price index.

## **12)What will this cost?**

If approved as proposed, the SMaRT Station operating costs would increase by about \$1 million in the first year; this amounts to about \$11.8 million over the life of the seven-year contract.

## **13)Where will the money come from? Who will pay?**

As with all operating costs at the SMaRT Station, costs are shared – based on the amount of use – by Mountain View, Palo Alto and Sunnyvale. These costs are passed through to the rate payers – residents and businesses who use City trash collection services. Approximately 49 percent of the increased cost would come from Sunnyvale, while the remaining 51 percent would come from Mountain View and Palo Alto.

Normal operations at the SMaRT Station called for a planned rate increase of 5.5 percent. The increased pay to workers would – in Sunnyvale – add another 1.8 percent, to a total increase of 7.3 percent on a normal bill.

## **14)What do the Teamsters want to do?**

Teamsters Local 350 is seeking a 156 percent increase to pay and benefits for represented SMaRT Station sorters. This would result in a typical monthly service bill jumping approximately 11 percent with the extra cost to rate payers over the life of the contract surpassing \$35 million.

## **15)What is City Council's position?**

Dating back to the time when the current seven-year contract was negotiated, Council was concerned that workers be paid an appropriate wage. That's why a prevailing wage condition was put into the original contract in 1993 and this contract in 2000. By using an impartial agency – the California Department of Industrial Relations – to establish the prevailing wage rate, misinformation and lobbying efforts are less likely to affect the outcome.

The draft RFP that Council will review at their June 20 meeting establishes specific wage and benefit rates that the SMaRT Station operator must meet, beginning with the new contract in January 2008. The operator may, of course, pay rates higher than those established in the contract. Ultimately, those rates will be established through negotiations between the operator and Teamsters Local 350, which represents the SMaRT Station workers. Because the prevailing wages are now known and the specific dollar amounts are disclosed in the Request for Proposals, the City will be better able to enforce this requirement in the 2008 contract. However, Sunnyvale will not – and legally cannot – be part of the negotiations between the operator and its employees.